



THE NATIONAL
COUNCIL ON
THE AGING

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**Statement of James Firman, President and CEO
The National Council on the Aging (NCOA) on
Medicare Reform and Prescription Drug Legislation**

America's seniors have been waiting anxiously for decades for Medicare to cover prescription drugs. The arduous path has been characterized for years by dashed hopes and partisan gridlock.

For many policymakers, Medicare reform is an ideological or a political issue. For millions of seniors with low incomes or high drug needs, the lack of prescription drug coverage makes life a terrible, daily struggle. While the Medicare bill Congress is now considering has numerous flaws, it does provide meaningful prescription drug coverage to those with the greatest needs: lower income beneficiaries and those with very high drug expenses. It is our understanding that up to 15 million beneficiaries would be eligible to receive meaningful drug coverage under the proposal, because they would qualify for low-income protections and are not on Medicaid, or because they will have prescription drug expenses above the catastrophic cap.

For more than 50 years, NCOA has worked tirelessly to improve the quality of life for disadvantaged older Americans, particularly those who have lower incomes or are chronically ill. During the past two years, NCOA has directly helped more than one million low-income seniors look for and find programs to help them obtain prescription savings. Unfortunately, we have found the current patchwork of public and private programs usually falls far short of meeting their needs.

If this bill is not passed now, seniors could have to wait many more years for meaningful prescription drug coverage. Growing costs, continuing budget deficits, and partisan politics will significantly diminish the prospects for passing a \$400 billion prescription drug bill for the foreseeable future. We need to be realistic about what is achievable in a Congress that is now and likely will continue to be very closely divided for years to come.

After reviewing the details of the bill, The National Council on the Aging has decided to support, with reservations, the Medicare Prescription Drug, Improvement, and Modernization Act. We arrive at this decision after a difficult deliberative process, weighing the many, complex pros and cons. In the final analysis, we find it too difficult to again say to millions of vulnerable seniors in need: "Sorry, come back in a few years and maybe there will be some help for you then."

There are a number of important provisions included in the compromise Medicare bill that we oppose and that we will work actively to improve in the future. However, bipartisan compromises have been reached to soften the impact of the most troublesome and pernicious provisions of the bill. Specifically, NCOA does not support and will work to improve the following aspects of the current bill:

- **The bill includes a major gap, or “doughnut hole,” in prescription drug coverage.** Although the compromise bill reduces the gap compared to what was in the earlier House bill and low-income beneficiaries will continue to get coverage, NCOA will work continue to work to fill this hole. We are also pleased that the “up-front” coverage is more generous than in the earlier Senate bill (75% vs. 50%). Because the program is voluntary, seniors who believe the benefit is not worth the cost can choose not to participate. Unlike the ill-fated 1988 catastrophic care prescription drug benefit, this coverage is optional, not mandatory.
- **The bill imposes an onerous asset test in order to receive low-income protections,** denying access to low-income seniors whose assets exceed the limits. The asset thresholds and low-income protections in the bill are significantly better than those available under the current Medicare program. However, we have serious continuing concerns about whether those eligible for protections will actually receive them. We are pleased that outreach activities targeted to low-income populations are included in the bill’s report language. We will continue to work to improve outreach to vulnerable populations and eliminate the need to meet an asset test to receive low-income protections.
- **The bill may include millions of beneficiaries in the “premium support” demonstration project,** which has the potential for increasing Medicare premiums and eroding the traditional fee-for-service program. So-called “premium supports” are really an attempt to convert Medicare from a defined benefit to a defined contribution. While the original House bill would have made this a permanent program, the current proposal is for a demonstration project that is a time and geographically limited experiment starting in 2010, which includes safeguards against premium increases. We were pleased by a recent Congressional Budget Office estimate that only up to one million beneficiaries would participate in the program. The Center for Medicare and Medicaid Services Office of the Actuary, however, projects that the figure could be much higher. We will work to ensure that a reasonable, modest number of beneficiaries participate in the demonstration.

Some additional significant concessions made by House conferees helped convince us that, on balance, this bill is worthy of support. A guaranteed government fallback is included to assure that drug coverage is available in rural areas. The home health copayment included in the House bill, which would have imposed new out-of-pocket costs primarily on lower income chronically ill women, was dropped from the bill. An earlier House proposal to cut benefits for higher income beneficiaries was replaced by a less troubling proposal to require individuals with income above \$80,000, and couples with income above \$160,000, to pay gradually higher premiums.

Most of our other primary concerns also have largely been addressed. While many seniors are likely to lose their current retiree drug coverage, the incentives for companies to continue coverage are stronger than in either of the earlier House and Senate bills. We also take some solace in the fact that the respected Employee Benefits Research Institute has projected that the number of companies dropping coverage will not be as high as many fear. We are relieved that a compromise was reached on a “cost containment” proposal, which we feared would result in capping Medicare spending. Any trigger for automatic cuts was eliminated and current Senate procedural safeguards were not weakened. We do have continuing serious concerns, however, about provisions that would spend billions of dollars on Health Savings Accounts and overpayments to managed care companies.

The compromise bill includes other important benefits that many may not be familiar with, including: a \$600 subsidy next year for lower income beneficiaries under a drug discount card; significant new coordinated care benefits for chronically ill beneficiaries; improved preventive care coverage for diabetes and cardiovascular disease screening; and coverage for an initial physical exam for new beneficiaries.

Our decision to support this bill was a difficult one. But we agree with the recent New York Times editorial, which stated: “Despite its shortcomings, the Medicare prescription drug bill headed for a vote in Congress is worthy of passage. Fears that the legislation contains the seeds that will ultimately destroy the traditional Medicare program strike us as overblown.” Viewed in its entirety, NCOA believes the bill is a good start; a bipartisan compromise with the positives outweighing the negatives. Admittedly, though, it’s a very close call.

We urge Congress to pass the Medicare bill so that millions of seniors with the greatest needs will receive long-awaited and badly-needed prescription drug coverage.

Founded in 1950, The National Council on the Aging is a national voluntary network of organizations and individuals dedicated to improving the health and independence of older persons; increasing their continuing contributions to communities, society, and future generations; and to building caring communities. NCOA is a national voice and powerful advocate for public policies, societal attitudes, and business practices that promote vital aging. NCOA is an innovator, developing new knowledge, testing creative ideas, and translating research into effective programs and services that help community service organizations serve seniors in hundreds of communities. And, NCOA is an activator, turning creative ideas into programs and services that help community services organizations serve seniors in hundreds of communities. For more information on NCOA, visit www.ncoa.org.